

Fig. 1A

Fig. 1B

From Fig. 1A

116 calculate a cumulative loss ratio or average lapse rate for a defined group of producers

120 perform a statistical analysis to identify significant statistical relationships between the cumulative loss ratio or average lapse rate for a defined group of producers and external variables

124 identify and select individual external variables to be used for generating the predictive statistical model

128 compare individual external variables and eliminate (as necessary) one variable of a pair of highly cross-correlated individual external variables

Fig. 1B

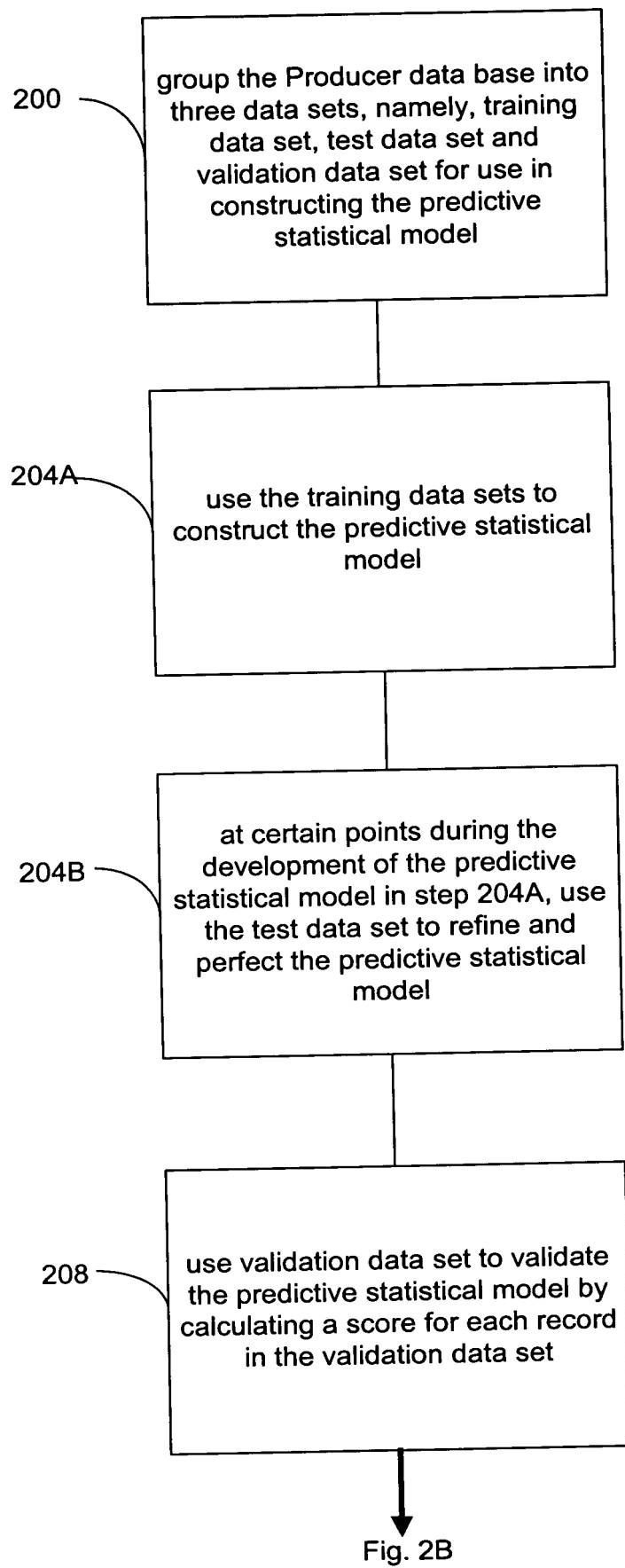


Fig. 2A

Fig. 2B

From Fig. 2A

212 attach the score to each record in the validation data set and sort by score in plurality of bins of equal size (for example, ten regions of equal size, i.e., deciles)

216 calculate the cumulative loss ratio or average lapse rate of each decile using the work data calculated in step 108

220 calculate the loss ratio or lapse rate relativity of each decile (i.e., the cumulative loss ratio of the decile minus the cumulative loss ratio or average lapse rate of the entire validation data set) divided by the cumulative loss ratio or average lapse rate of the entire validation data set

224 use predictive statistical model to score new policyholders and determine future profitability as such score relates to the loss ratio relativity or lapse rate of the validation data set which provides an estimation of the future profitability

Fig. 2B